

## Message Text

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ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 AEC-11 AID-20 CEA-02 CIAE-00

CIEP-02 COME-00 DODE-00 FEAE-00 FPC-01 H-03 INR-10

INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01

SCI-06 SP-03 SS-20 STR-08 TRSE-00 PA-04 PRS-01 USIA-15

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FM AMEMBASSY CARACAS

TO SECSTATE WASHDC PRIORITY 4184

C O N F I D E N T I A L CARACAS 5363

DEPARTMENT REPEAT AS DESIRED TO QUITO AND EMBASSIES OF OPEC  
CAPITALS

E.O. 11652: GDS

TAGS: ENRG

SUBJECT: DEMARCHE PRIOR TO OPEC MEETING IN QUITO: CONVERSATION  
WITH VENEZUELAN MINISTER OF MINES

REF: A. STATE 122431; B. CARACAS 5298

1. FORTUNATELY, MY CONVERSATION LAST SATURDAY EVENING WITH  
MINISTER OF MINES (REF B) PAID OFF. ALTHOUGH TREMENDOUSLY BURDENED  
WITH WIND-UP OF HIS PETROLEUM CONGRESS, METTING WITH PRESIDENT,  
RECEIVING IRAQI VICE MINISTER FOR PETROLEUM AND PREPARING  
FOR HIS DEPARTURE TOMORROW MORNING FOR QUITO, MINISTER VALENTIN  
HERNANDEZ NEVERTHELESS VERY CORDIALLY RECEIVED ME AND FOR HALF AN  
HOUR WE WENT OVER MAIN POINTS SET OUT REF A.

2. MINISTER'S FIRST COMMENT WAS THAT THERE COULD BE NO QUESTION OF  
VENEZUELA'S REDUCING OIL PRICES. THIS HAD BEEN MATTER OF PUBLIC  
NOTICE BY THE PRESIDENT HIMSELF. HE NOTED, HOWEVER, LATER IN  
CONVERSATION THAT EVEN IF VENEZUELA AND OTHER OPEC COUNTRIES  
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DID NOT INCREASE OIL PRICES, THIS IN ITSELF WOULD AMOUNT TO SOMETHING

APPROXIMATING A 9 PCT "REDUCTION" IN PRICES BECAUSE OF AN ANTICIPATED 9 PCT INCREASE IN INFLATION.

3. I REPLIED THAT INFLATION WAS OUR MAIN CONCERN AND LET HIM READ PARAPHRASE OF PARAGRAPHS 3C AND D REFTEL. EVEN THOUGH IT MIGHT NOT BE POSSIBLE TO REDUCE THE PRICE OF OIL, AT LEAST WE FERVENTLY HOPED THAT THERE WOULD BE NO INCREASE; AND MINISTER VALENTIN HERNANDEZ AGREED THAT IT COULD LITTLE PROFIT THE OIL-PRODUCING COUNTRIES IF THE WORLD WERE PUT INTO AN OVERWHELMING DEPRESSION THROUGH SPIRALING COMMODITY PRICES, INCLUDING OIL.

4. RE PARA 3F, WHICH I APPROACHED WITH GREAT CAUTION, MINISTER SAID THAT HE DOUBTED IF THERE WOULD BE AN ACROSS-THE-BOARD FLAT OPEC INCREASE IN TAXES ON THE OIL COMPANIES FOR THE REASON THAT THE SITUATION WAS NOT THE SAME IN EACH PRODUCING COUNTRY. FOR EXAMPLE, IN THE CASE OF VENEZUELA, WHICH RECEIVED MUCH LARGER ROYALTIES THAN SOME OTHER PRODUCING COUNTRIES, AN ADDED TAX WOULD CAUSE A FAR GREATER INCREASE IN PRICE THAN MIGHT BE THE CASE WITH SOME OF THE OTHER PRODUCERS IN THEIR TAX ASSESSMENTS ON THE COMPANIES.

5. MY OVER-ALL IMPRESSION OF OUR INTERVIEW WAS THAT THE MINISTER READILY UNDERSTOOD OUR CONCERN AND THAT, ALTHOUGH HE COULD NOT UNDER HIS PRESIDENTIAL DIRECTIVES AGREE TO VENEZUELA'S REDUCING OIL PRICES, HE MIGHT AT LEAST RECEIVE PRESIDENTIAL ASSENT TO A POSITION WHEREBY VENEZUELA WOULD NOT PROPOSE AN INCREASE.

6. MINISTER AND I AGREED TO LUNCH TOGETHER WHEN HE RETURNS FROM QUITO.  
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## Message Attributes

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